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ACTION EAP-00

INFO	LOG-00	NP-00	AID-00	CEA-01	CIAE-00	CTME-00	INL-00
ITCE-00	EB-00	EXME-00	E-00	UTED-00	VC-00	FRB-00	
FSI-00	TEDE-00	INR-00	VCE-00	AC-00	DCP-00	NSAE-00	
NSCE-00	OMB-00	OPIC-01	ACE-00	SP-00	IRM-00	SSO-00	
STR-00	FMP-00	BBG-00	IIP-00	G-00	NFAT-00	SAS-00	
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TO SECSTATE WASHDC IMMEDIATE 6255
INFO AMCONSUL HO CHI MINH CITY
DEPTTREAS WASHDC
SECDEF WASHINGTON DC//ISA/AP//
JOINT STAFF WASHINGTON DC//J5//
CDR USPACOM HONOLULU HI//J5//

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TREASURY FOR OASIA/MDM: J. FRANCO

E.O. 12958: N/A
TAGS: [EFIN](#) [FAID](#) [VM](#)
SUBJECT: RESPONSIBILITIES AND REFORMS OF STATE AUDIT
VIETNAM

REFTEL: 04 Hanoi 03273

¶1. Summary: ECON/C met with State Audit of Vietnam's Administrative Department Director Mr. Nguyen Hong Long on January 12. The director described SAV's function and authority and confirmed post's recently reported (see reftel) findings on military budget transparency. Long also shared the status of the new draft law on state audit and articulated steps that Vietnam is taking toward improving budget oversight and transparency for both the process of budgetary audits and the reporting results. Long further expressed interest in building a relationship with the Embassy and learning more about the U.S. model and mechanisms for auditing public spending and preventing corruption. End summary.

¶2. On Wednesday, January 12, 2005, ECON/C and Econ Assistant met with Director of the Administrative Department Mr. Nguyen Hong Long, Manager of the Special Areas Audit Department Mr. Nguyen Van Minh, and other experts at State Audit Vietnam (SAV). SAV is the financial inspection agency in Vietnam with the highest authority. Its primary role is to audit all budget and financial statements that use state budget monies, including those of the Ministry of Defense and Ministry of Public Security. The new Law on State Budget, effective January 2004, stipulates that proposed annual budgets can only be approved after the audit settlements of the previous year have been approved.

Status of the draft law on state audit

¶3. Regarding the draft law that was discussed in the November 2004 National Assembly session, Long reported that the National Assembly decided that SAV should be an agency that is responsible to the National Assembly and independent rather than reporting to the Government. Under the new revisions to the draft law, the National Assembly will redefine the responsibilities, reporting line and organizational structure of SAV. The new draft will allow the National Assembly to appoint SAV's Chief Auditor and Deputy Chief Auditor, as well as give SAV and the National Assembly the authority to call ad hoc audits. These special audits can be called based on off-schedule auditing needs, suspicions of violations or in case of an emergency situation. Currently only the Government can call ad hoc audits. According to Long, the new law on state audit will be submitted to the National Assembly Standing Committee in February 2005. SAV anticipates that the National Assembly will approve the law in the May 2005 session.

SOE audits

¶4. SAV has an audit division that handles State Owned Enterprises (SOE), the State Bank of Vietnam (SBV) and State-owned financial institutions. However, the SOE Law rather than the Law on State Audit governs SOE accounting and reporting. According to Long, because of time and resource constraints, SOEs are not audited every year but nearly

every 2-3 years. There is no official schedule or timeline required for SOE reporting. The SBV is audited annually but other state owned financial institutions are audited less frequently.

Transparency

15. According to the new State Budget Law, the results of the annual state audit are sent to the National Assembly for approval. Results are then publicized, either by SAV through a press conference or other media. SBV audit results are also sent to the National Assembly. The process for state-owned financial institutions may differ, depending on whether or not the audit is part of the annual audit or an ad hoc audit. Long reported that for audits of SOEs, the results are also publicized, including financial figures as required by the SOE Law and including SAV audit comments.

16. On SAV's role in combating corruption, Long said SAV's function is solely to audit and certify compliance with laws for agencies using the state budget and public property. This role differs from that of the State Inspectorate, which may investigate activities beyond settlement of the state budget. During the annual audit, if SAV identifies a possible violation, it requests the relevant agency to remedy the problem. SAV primarily follows the annual auditing plan, but will report any suspicions about agency

spending to the National Assembly. In the case of major problems or where the agency does not address the problem, SAV will request an investigation by law enforcement officials. In the last 10 years, SAV has been responsible for having 10,000 billion Dong returned to state coffers, Long noted.

17. Long concluded by stating that he hoped to work with the Embassy and the United States Government to improve SAV's capabilities.

MARINE

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